



Roland W. Burris

Comptroller
State of Illinois

201 State House
Springfield, Illinois 62706
217/782-6000

October 2, 1985

PAYROLL BULLETIN
(6-85)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Tax Exempt Insurance Premiums

Pursuant to the provisions of Senate Bill 840 (Public Act 84-167) and an emergency rule to be filed by the Department of Central Management Services, the premium that a State employee is having deducted for the State sponsored health insurance plan will be treated as tax exempt for state and federal income tax purposes beginning with any pay period ending after October 15, 1985. This premium will, however, be subject to F.I.C.A. and retirement contributions, where applicable.

This bulletin sets forth initial implementation procedures for State agencies. Additional information may be provided in the future to reflect expansions of the program, etc.

To effect this new plan, the amount of the premium being deducted in column 58 of the payroll voucher which represents the State sponsored health plan will not only continue to appear in the deduction field in which it now appears but also this amount must appear in column 67 of the hard copy voucher. For agencies which submit payrolls on magnetic tape, this amount must also appear in tape positions 356 through 361.

For agencies who do not submit payrolls on magnetic tape, the pre-list representing the payroll with an ending date after October 15, 1985 will have shown in column 67, the amount of State sponsored deducted health insurance that is also shown in column 58. We will also recalculate federal income tax, state income tax and net pay. It will be the agencies responsibility to adjust the trailer records.

As stated above, this program will be in effect for any pay period ending after October 15, 1985. The form W-2 issued by the Comptroller will show gross income as reduced by the amount appearing in column 67 of the voucher.

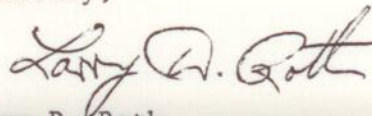
If a reversal must be made for an employee who had this tax exempt deduction, no entry should be made in column 67 of the hard copy voucher, nor should there be an amount in tape positions 356 through 361. The form C-65, however, must

have a memo entry on one of the blank lines, indicating the amount of the non-taxable deduction. The rest of the form should be completed as usual.

The Comptroller's Office will accumulate these tax free deductions only from the payroll vouchers and tapes. If an agency fails to report any of these non-taxable deductions during the year, our office will not make any adjustments to income after the end of the year.

Any questions regarding this Payroll Bulletin should be referred to Dan Steven or Nancy Smith. They can be reached at (217) 782-4758.

Sincerely,

A handwritten signature in cursive script, reading "Larry D. Roth". The signature is written in dark ink and is positioned above the printed name and title.

Larry D. Roth
Director, State Accounting